



BIG RAPIDS, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

BIG RAPIDS PUBLIC SCHOOLS

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**BIG RAPIDS PUBLIC SCHOOLS
ADMINISTRATIVE PERSONNEL
YEAR ENDED JUNE 30, 2006**

SCHOOL BOARD MEMBERS

Michael Wyman	President
Suzette Compton	Vice President
Peter Peterson	Treasurer
Patrick Klarecki	Secretary
Suzanne Hosking	Trustee
Michael Mekaru	Trustee
Kathy Bouwman	Trustee

SUPERINTENDENT

Dr. Thomas Langdon

ASSISTANT SUPERINTENDENT - BUSINESS

Mark Klumpp

PRINCIPALS

Tim Haist	High School
Barb Borth	Middle School
Mort Meier	Elementary School
Tim Buckingham	Elementary School/ Early Childhood Center



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INDEPENDENT AUDITORS' REPORT

October 19, 2006

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Rapids Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of June 30, 2006, and the respective changes in financial position, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2006 on our consideration of the Big Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Rapids Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the Big Rapids Public Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

Management's Discussion and Analysis

As management of Big Rapids Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,746,902 (*net assets*). Of this amount, \$582,629 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$23,714.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,517,086, a decrease of \$791,228 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$844,862, or 5 percent of total general fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, and athletics.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and 1999 debt service fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government wide financial statements. The fiduciary funds statement of fiduciary assets and liabilities can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-30 of this report.

Other information. The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. They can be found on pages 31-37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,746,902 at the close of the most recent fiscal year.

District's Net Assets

	Governmental Activities	
	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 7,133,358	\$ 6,179,277
Capital assets, net	<u>26,664,413</u>	<u>25,286,576</u>
Total assets	<u>33,797,771</u>	<u>31,465,853</u>
Long-term liabilities outstanding	25,376,384	23,781,418
Other liabilities	<u>5,954,445</u>	<u>5,937,533</u>
Total liabilities	<u>31,330,829</u>	<u>29,718,951</u>
Net assets:		
Invested in capital assets, net of related debt	(359,005)	675,922
Restricted	691,782	488,351
Unrestricted	<u>1,390,411</u>	<u>582,629</u>
Total net assets	<u>\$ 1,723,188</u>	<u>\$ 1,746,902</u>

At the end of the current fiscal year, the District was able to report a positive balance in net assets for the District as a whole.

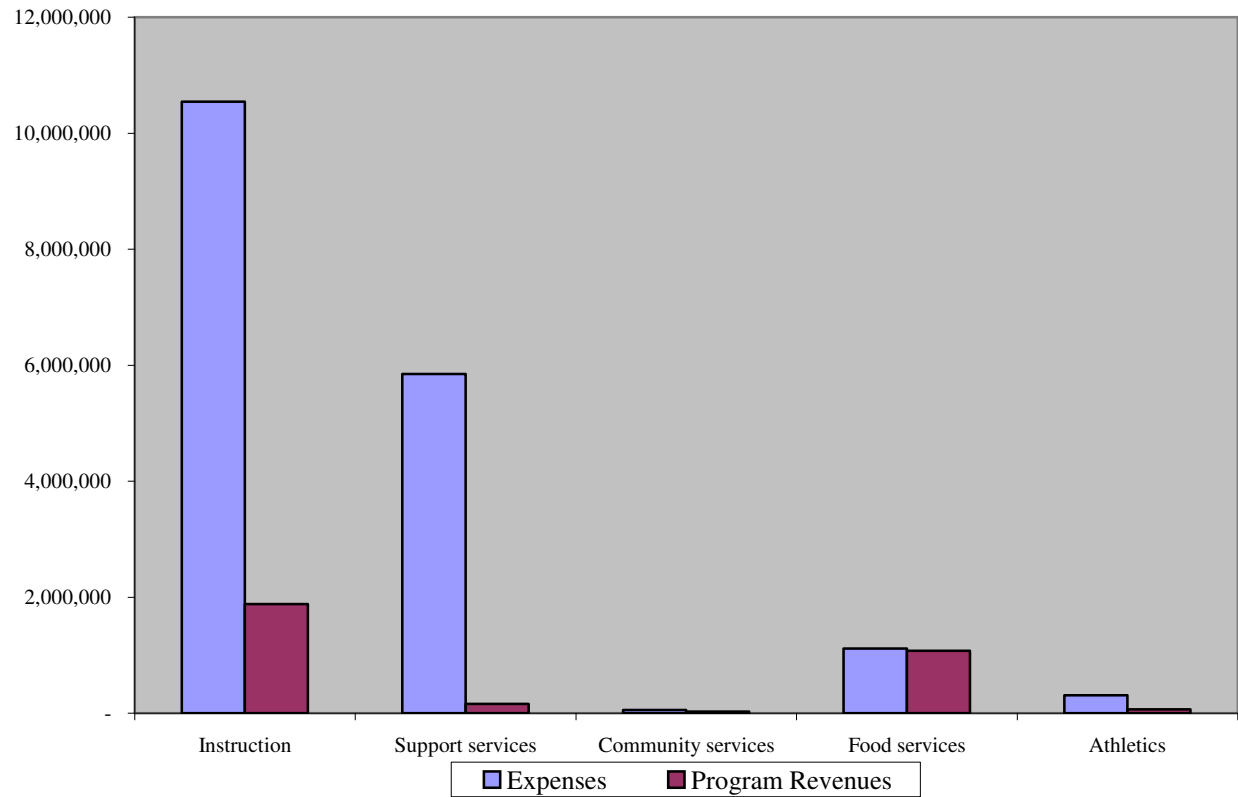
The District's net assets were \$1,746,902 at June 30, 2006. Capital assets, net of related debt totaling \$675,922, compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of these assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$582,629 was unrestricted.

The \$582,629 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

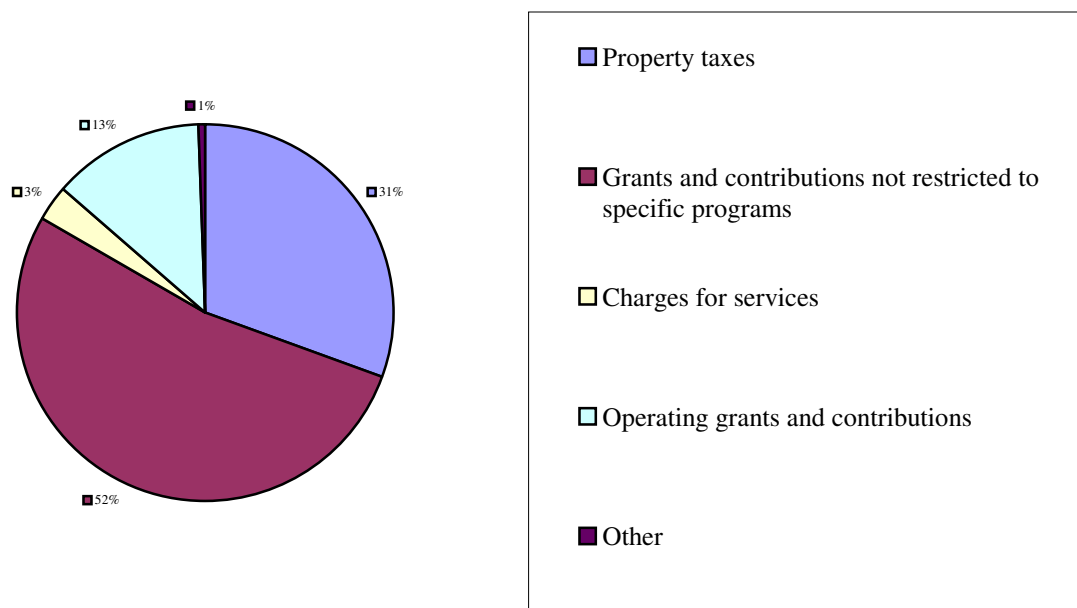
District's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2006</u>
Revenue:		
Program revenue:		
Charges for services	\$ 630,710	\$ 596,960
Operating grants and contributions	2,531,215	2,613,652
General revenue:		
Property taxes	5,834,674	6,118,430
Grants and contributions not restricted to specific programs	10,807,157	10,523,940
Other	<u>33,898</u>	<u>125,728</u>
Total revenue	<u>19,837,654</u>	<u>19,978,710</u>
Expenses:		
Instruction	10,270,788	10,545,509
Supporting services	6,036,793	5,845,524
Community services	41,953	56,405
Food services	1,122,114	1,116,563
Athletics	317,594	307,963
Depreciation-unallocated	-	811,500
Interest on long-term debt	<u>1,268,869</u>	<u>1,271,532</u>
Total expenses	<u>19,058,111</u>	<u>19,954,996</u>
Increase in net assets	779,543	23,714
Net assets, beginning of year, as restated	<u>943,645</u>	<u>1,723,188</u>
Net assets, end of year	<u><u>\$ 1,723,188</u></u>	<u><u>\$ 1,746,902</u></u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - District Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$844,862. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 5 percent of total general fund expenditures and transfers out.

The fund balance of the District's general fund decreased by \$734,357 during the current fiscal year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with supporting the District's instructional and supporting services operations.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were caused by:

- Larger decline in enrollment than originally expected.
- Voluntary severance plan for teaching staff.
- Higher utility, fuel and legal costs than originally expected.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$25,286,576 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

There were no major capital asset events during the current fiscal year.

Big Rapids Public Schools

Capital Assets

(net of depreciation)

	2005	2006
Land	\$ 570,602	\$ 570,602
Buildings and improvements	25,653,490	24,126,460
Furniture and equipment	359,397	357,773
Buses and vehicles	80,924	231,741
Total	\$ 26,664,413	\$ 25,286,576

Additional information on the District's capital assets can be found in Note 5 on page 25 of this report.

Long-term debt. At the end of the current fiscal year, the District had long-term debt outstanding of \$25,066,043. This includes bonds, notes and capital leases as well as early retirement and compensated absences.

The District's total debt decreased by \$1,415,376 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 7 on pages 26-28 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2006-07 fiscal year:

- Revenue based on foundation allowance increase of \$265 per pupil.
- Decline in enrollment of 10 FTE's.
- Union wages were projected to increase according to negotiated contracts.
- MPSERS rate of 17.74%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business, 21034 15 Mile Road, Big Rapids, Michigan, 49307.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,729,680
Investments	11,242
Receivables:	
Accounts	100,603
Due from other governmental units	2,327,063
Inventories	10,689
Total current assets	<u>6,179,277</u>
Noncurrent assets:	
Land	570,602
Capital assets	32,695,484
Less accumulated depreciation	<u>(7,979,510)</u>
Total noncurrent assets	<u>25,286,576</u>
Total assets	<u>31,465,853</u>
Liabilities	
Current liabilities:	
Accounts payable	28,585
Accrued expenses	1,642,752
Due to other governmental units	4,523
Unearned revenue	177,048
Notes payable	2,800,000
Current portion of compensated absences/early retirement incentive	157,808
Current portion of long-term debt	1,126,817
Total current liabilities	<u>5,937,533</u>
Noncurrent liabilities:	
Long term portion of compensated absences/early retirement incentive	297,581
Non-current portion of long-term debt	23,483,837
Total noncurrent liabilities	<u>23,781,418</u>
Total liabilities	<u>29,718,951</u>
Net assets	
Invested in capital assets, net of related debt	675,922
Restricted for debt service	320,287
Restricted for food service	137,942
Restricted for capital projects	30,122
Unrestricted	582,629
Total net assets	<u>\$ 1,746,902</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2006

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 10,545,509	\$ 3,900	\$ 1,878,398	\$ (8,663,211)
Supporting services	5,845,524	47,954	113,107	(5,684,463)
Community services	56,405	25,225	-	(31,180)
Food services	1,116,563	451,037	622,147	(43,379)
Athletics	307,963	68,844	-	(239,119)
Depreciation - unallocated	811,500	-	-	(811,500)
Interest on long-term debt	1,271,532	-	-	(1,271,532)
Total governmental activities	<u>\$ 19,954,996</u>	<u>\$ 596,960</u>	<u>\$ 2,613,652</u>	<u>(16,744,384)</u>
General revenues:				
Property taxes - operations				3,436,291
Property taxes - debt service				2,682,139
Grants and contributions not restricted to specific programs				10,523,940
Unrestricted investment earnings				<u>125,728</u>
Total general revenues				<u>16,768,098</u>
Change in net assets				23,714
Net assets, beginning of year, as restated				<u>1,723,188</u>
Net assets, end of year				<u><u>\$ 1,746,902</u></u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Balance Sheet Governmental Funds

June 30, 2006

	<u>General</u>	<u>1999 Debt</u>	<u>Non-Major Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 3,077,509	\$ 493,493	\$ 158,678	\$ 3,729,680
Investments	11,242	-	-	11,242
Due from other governmental units	2,219,634	-	107,429	2,327,063
Accounts receivable	91,709	5,876	3,018	100,603
Inventory	-	-	10,689	10,689
	<u>-</u>	<u>-</u>	<u>10,689</u>	<u>10,689</u>
Total assets	<u>\$ 5,400,094</u>	<u>\$ 499,369</u>	<u>\$ 279,814</u>	<u>\$ 6,179,277</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 25,933	\$ 700	\$ 1,952	\$ 28,585
Accrued expenditures	1,462,702	-	1,668	1,464,370
Deferred revenue	262,599	-	102,114	364,713
Due to other governmental units	3,998	-	525	4,523
Notes payable	2,800,000	-	-	2,800,000
	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
Total liabilities	<u>4,555,232</u>	<u>700</u>	<u>106,259</u>	<u>4,662,191</u>
Fund balances				
Reserved for:				
Inventory	-	-	10,005	10,005
Unreserved:				
Undesignated, reported in special revenue funds	-	-	163,550	163,550
Undesignated	844,862	498,669	-	1,343,531
	<u>844,862</u>	<u>498,669</u>	<u>-</u>	<u>1,343,531</u>
Total fund balances	<u>844,862</u>	<u>498,669</u>	<u>173,555</u>	<u>1,517,086</u>
Total liabilities and fund balances	<u>\$ 5,400,094</u>	<u>\$ 499,369</u>	<u>\$ 279,814</u>	<u>\$ 6,179,277</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2006

Fund balances - governmental funds	\$ 1,517,086
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criterion for revenue recognition is met.

Add - deferred long-term receivables	187,665
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	33,266,086
Deduct - accumulated depreciation	(7,979,510)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(24,610,654)
Deduct - accrued interest on bonds payable	(178,382)
Deduct - compensated absences and early retirement incentive	<u>(455,389)</u>

Net assets of governmental activities	<u><u>\$ 1,746,902</u></u>
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The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2006

	General	1999 Debt	Non- Major Funds	Total
Revenue				
Local sources	\$ 3,741,276	\$ 2,718,104	\$ 537,957	\$ 6,997,337
State sources	11,641,678	-	57,169	11,698,847
Federal sources	740,404	-	575,554	1,315,958
	<u>16,123,358</u>	<u>2,718,104</u>	<u>1,170,680</u>	<u>20,012,142</u>
Expenditures				
Current:				
Instruction	10,340,246	-	-	10,340,246
Supporting services	6,036,145	-	-	6,036,145
Community services	56,405	-	-	56,405
Food services	-	-	1,116,563	1,116,563
Athletics	-	-	307,963	307,963
Debt service:		-		
Principal	95,861	1,611,381	62,290	1,769,532
Interest	101,472	1,146,152	9,301	1,256,925
Capital outlay	60,037	-	-	60,037
	<u>16,690,166</u>	<u>2,757,533</u>	<u>1,496,117</u>	<u>20,943,816</u>
Revenue over (under) expenditures	<u>(566,808)</u>	<u>(39,429)</u>	<u>(325,437)</u>	<u>(931,674)</u>
Other financing sources (uses)				
Transfers in	-	11,920	307,995	319,915
Transfers out	(307,995)	-	(11,920)	(319,915)
Proceeds from installment purchase agreement	140,446	-	-	140,446
	<u>(167,549)</u>	<u>11,920</u>	<u>296,075</u>	<u>140,446</u>
Net changes in fund balances	(734,357)	(27,509)	(29,362)	(791,228)
Fund balances, beginning of year, as restated	<u>1,579,219</u>	<u>526,178</u>	<u>202,917</u>	<u>2,308,314</u>
Fund balances, end of year	<u><u>\$ 844,862</u></u>	<u><u>\$ 498,669</u></u>	<u><u>\$ 173,555</u></u>	<u><u>\$ 1,517,086</u></u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2006

Net changes in fund balances - governmental funds	\$ (791,228)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.

Deduct - decrease in deferred long-term receivables	(33,432)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	238,223
Deduct - depreciation expense	(811,500)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net assets.

Add - principal payments on long-term liabilities	1,769,532
Deduct - interest expense added to Michigan School Bond Loan Fund	(20,882)
Deduct - proceeds on installment purchase agreement	(140,446)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	6,275
Deduct - increase in the accrual for compensated absences and early retirement incentive	(192,828)

Change in net assets of governmental activities	<u>\$ 23,714</u>
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The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended June 30, 2006

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenue				
Local sources	\$ 3,742,965	\$ 3,732,573	\$ 3,741,276	\$ 8,703
State sources	11,852,512	11,515,582	11,641,678	126,096
Federal sources	815,754	784,143	740,404	(43,739)
 Total revenue	 16,411,231	 16,032,298	 16,123,358	 91,060
Expenditures				
Current:				
Instruction	9,894,790	10,087,479	10,340,246	252,767
Supporting services	6,308,967	6,052,142	6,036,145	(15,997)
Community services	59,619	63,970	56,405	(7,565)
Debt service:				
Principal	70,000	70,000	95,861	25,861
Interest	44,005	64,000	101,472	37,472
Capital outlay	100,000	60,000	60,037	37
 Total expenditures	 16,477,381	 16,397,591	 16,690,166	 292,575
 Revenue over (under) expenditures	 (66,150)	 (365,293)	 (566,808)	 (201,515)
 Other financing sources (uses)				
Transfers out	(316,983)	(316,983)	(307,995)	8,988
Proceeds of installment purchase agreement	-	140,000	140,446	446
 Total other financing sources (uses)	 (316,983)	 (176,983)	 (167,549)	 9,434
 Net changes in fund balance	 (383,133)	 (542,276)	 (734,357)	 (192,081)
 Fund balance, beginning of year, as restated	 1,579,219	 1,579,219	 1,579,219	 -
 Fund balance, end of year	 <u>\$ 1,196,086</u>	 <u>\$ 1,036,943</u>	 <u>\$ 844,862</u>	 <u>\$ (192,081)</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities Agency Funds

June 30, 2006

Assets

Cash and cash equivalents

\$ 160,523

Liabilities

Due to student groups

\$153,615

Withholdings payable

6,908

Total liabilities

\$ 160,523

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Big Rapids Public Schools (the “District”) consistently applied in the preparation of the accompanying financial statements follows.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Big Rapids Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2006.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Property taxes, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *1999 debt fund* accounts for the accumulation of resources which are restricted for the payment of the 1999 bonds and the Michigan School Bond Loan Fund debt payments each year.

Additionally, the government reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *debt service funds* account for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

The *fiduciary funds* account for resources held for student activities and payroll taxes and benefits.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service schedule to be an adequate budgetary control for debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2006. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures at the functional level must be approved by the District Board.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2005 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments

The District investments consist of money market mutual funds with local financial institutions. Investments are stated at fair value.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Inventories

Inventories consist of office and food service supplies. Inventories are stated at cost (first-in, first-out). United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and liabilities until used.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-20
Buses and other vehicles	5-10

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. This liability is shown on the statement of net assets.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Durant Related Issues

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; *the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA)* or in fifteen annual payments. Big Rapids Public Schools elected to participate in the special bonding program.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability and a related asset has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 72% of general fund revenue to the District during the 2006 fiscal year.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2006 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instructional	\$10,087,479	\$10,340,246	\$252,767
Debt service	134,000	197,333	63,333
Capital outlay	60,000	60,037	37
Food Service Fund			
Supporting services	1,053,200	1,116,563	63,363

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$3,729,680	\$160,523	\$3,890,203
Investments	11,242	-	11,242
Total cash and cash equivalents and investments	\$3,740,922	\$160,523	\$3,901,445

	Governmental Activities
Checking and savings accounts	\$3,840,426
Certificate of deposit (due within one year)	48,025
Investments	11,242
Cash on hand	1,702
	\$3,901,445

These deposits are in three (3) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investment:

Investment	Maturity	Fair Value	Rating
Mutual Fund			
MILAF Plus – Cash Management Funds	N/A	\$11,242	AAAm

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the District's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$3,952,201 of the District's bank balance of \$4,094,631 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above mutual fund investments, the District's custodial credit risk exposure can not be determined because the mutual funds do not consist of specifically identifiable securities.

5. CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Additions	Dispositions	Balance June 30, 2006
Governmental activities				
Nondepreciable capital assets:				
Land	\$ 570,602	\$ -	\$ -	\$ 570,602
Depreciable capital assets:				
Buildings and improvements	30,652,350	-	-	30,652,350
Furniture and equipment	737,460	97,777	-	835,237
Buses and vehicles	1,083,777	140,446	(16,326)	1,207,897
Total depreciable capital assets	32,473,587	238,223	(16,326)	32,695,484
Less accumulated depreciation:				
Buildings and improvements	5,861,200	664,690	-	6,525,890
Furniture and equipment	381,175	96,289	-	477,464
Buses and vehicles	941,961	50,521	(16,326)	976,156
Total accumulated depreciation	7,184,336	811,500	(16,326)	7,979,510
Total capital assets being depreciated, net	25,289,251	(573,277)	-	24,715,974
Governmental activities capital assets, net	\$25,859,853	\$(573,277)	\$ -	\$25,286,576

Depreciation for the fiscal year ended June 30, 2006 amounted to \$811,500. The district determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

6. INTERFUND BALANCES AND TRANSFERS

Interfund balances primarily reflect balances utilized to facilitate appropriate cash flow for operations. There were no interfund balances outstanding at year end.

Transfers primarily reflect subsidies allocated from the General Fund.

	<u>In</u>	<u>Out</u>
Interfund Transfers		
General Fund	\$ -	\$307,995
1999 Debt	11,920	
Nonmajor Funds:		
Athletics Special Revenue	247,000	-
1995 Debt	-	11,920
2000 Energy Debt Service	60,995	-
Total	<u>\$319,915</u>	<u>\$319,915</u>

7. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$22,301,220	\$ -	\$ 957,290	\$21,343,930	\$1,002,636
Installment purchase agreements	251,108	140,446	95,861	295,693	124,181
	22,552,328	140,446	1,053,151	21,639,623	1,126,817
School bond loan fund	3,666,530	20,882	716,381	2,971,031	-
Early retirement incentive	50,000	310,000	90,000	270,000	130,000
Compensated absences	212,561	336,447	363,619	185,389	27,808
	<u>\$26,481,419</u>	<u>\$ 807,775</u>	<u>\$2,223,151</u>	<u>\$25,066,043</u>	<u>\$1,284,625</u>

Bonds payable at June 30, 2006, are comprised of the following issues:

General Obligation Bonds:

2000 Energy Bonds due in amounts ranging from \$40,000 through \$55,000 plus interest at 4.75 - 5.45% through 2007 \$ 55,000

1999 Refunding Bonds due in amounts ranging from \$105,000 through \$1,100,000 plus interest at 3.15 - 4.75% through 2025 (unlimited tax, general obligation) 21,200,000

* 1998 School Improvement Bonds (Durant Settlement) due in amounts ranging from \$6,641 through \$15,438 plus interest at 4.76% through 2013 88,930

\$21,343,930

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Installment purchase agreements at June 30, 2006, are comprised of the following:

Installment Purchase Agreements:

2000 Installment Purchase agreement due in amounts ranging from \$55,000 through \$59,889 plus interest at 5.74% through 2007 \$ 55,000

2003 Installment purchase agreement due in amounts ranging from \$14,735 through \$15,670 plus interest at 3.09% through 2008 46,297

2003 Installment purchase agreement due in monthly installments of \$2,158 through August 2008, with interest at 7.31% 53,950

2006 Installment purchase agreement due in installments of \$28,089 plus interest at 4.19% through 2011 140,446

\$295,693

Annual debt service requirements to maturity for general obligation bonds and installment purchase agreements are as follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ 1,126,817	\$ 998,353	\$ 2,125,170
2008	1,062,416	952,117	2,014,533
2009	1,079,299	909,694	1,988,993
2010	1,101,870	865,850	1,967,720
2011	1,142,288	818,992	1,961,280
2012 – 2016	5,886,933	3,324,990	9,211,923
2017 – 2021	5,725,000	1,902,040	7,627,040
2022 – 2025	4,515,000	533,426	5,048,426
	<u>\$21,639,623</u>	<u>\$10,305,462</u>	<u>\$31,945,085</u>

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2006, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning balance	\$ 3,567,672	\$ 98,858	\$ 3,666,530
Additions	-	20,882	20,882
Deletions	<u>716,381</u>	<u>-</u>	<u>716,381</u>
Ending balance	<u>\$ 2,852,291</u>	<u>\$ 119,740</u>	<u>\$ 2,971,031</u>

Compensated absences and the early retirement incentives are expected to be liquidated by the general fund.

8. SHORT-TERM DEBT – NOTES PAYABLE

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid decrease significantly each November.

Short-term debt activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
State aid notes	\$2,900,000	\$2,800,000	\$2,900,000	\$2,800,000

The state aid notes were due August 18, 2006.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the District carried commercial insurance for claims. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

10. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate as a percentage of covered payroll was 14.87% for July through September and 16.43% for October through June. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2006, 2005, and 2004 were \$1,562,617, \$1,355,124, and \$1,214,863, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

11. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

12. SUBSEQUENT EVENT

On August 18, 2006, the District borrowed \$3,800,000 in a State Aid Anticipation Note. The note bears interest at 3.68 percent and is due August 20, 2007.

13. PRIOR PERIOD ADJUSTEMENT

Beginning fund balance in the general fund has been decreased by \$45,404 and beginning net assets for governmental activities has been decreased by \$6,345 for the correction of accrued interest payable on the Michigan School Bond Loan Fund. Beginning net assets for governmental activities were also increased by \$67,151 for full recognition of revenue from a land contract receivable in the government-wide statement of net assets. Finally, beginning net assets for governmental activities were decreased by \$804,560 to properly account for accumulated depreciation on capital assets.

* * * * *

BIG RAPIDS PUBLIC SCHOOLS

General Fund Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2006

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenue				
Local sources:				
Property taxes	\$ 3,470,073	\$ 3,470,073	\$ 3,436,291	\$ (33,782)
Tuition	92,075	30,000	29,125	(875)
Earnings on investments	30,000	70,000	71,687	1,687
Miscellaneous	150,817	162,500	204,173	41,673
Total local sources	3,742,965	3,732,573	3,741,276	8,703
State sources:				
State Aid - unrestricted	10,923,291	10,499,856	10,566,333	66,477
At risk	519,119	519,119	537,710	18,591
Special education	291,302	377,807	418,835	41,028
Preschool grant	118,800	118,800	118,800	-
Total state sources	11,852,512	11,515,582	11,641,678	126,096
Federal sources:				
Federal aid received through the state -				
E.C.I.A. Title I - Regular	501,381	506,663	461,663	(45,000)
E.C.I.A. Title I - Carryover	84,095	39,989	39,989	-
Title II	165,667	163,362	154,184	(9,178)
Title V	11,383	7,746	7,746	-
Safe & Drug Free	26,661	36,253	29,987	(6,266)
Other	-	-	15,899	15,899
Federal aid received through intermediate school districts	26,567	30,130	30,936	806
Total revenue from federal sources	815,754	784,143	740,404	(43,739)
Total revenue	16,411,231	16,032,298	16,123,358	91,060
Expenditures				
Instruction:				
Basic programs				
Elementary	3,148,390	3,257,825	3,357,484	99,659
Middle School	1,959,349	1,992,785	1,987,470	(5,315)
High School	2,520,398	2,599,096	2,628,115	29,019
Early Education	107,627	113,048	118,200	5,152
Total basic programs	7,735,764	7,962,754	8,091,269	128,515
Added needs				
Special Education	1,236,154	1,228,826	1,286,797	57,971
Compensatory education	922,872	895,899	962,180	66,281
Total added needs	2,159,026	2,124,725	2,248,977	124,252
Total instruction	9,894,790	10,087,479	10,340,246	252,767

BIG RAPIDS PUBLIC SCHOOLS

**General Fund
Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Continued**

For the Year Ended June 30, 2006

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Expenditures (continued)				
Supporting services				
Pupil services				
Guidance services	\$ 543,799	\$ 557,946	\$ 543,567	(14,379)
Social work services	5,294	4,083	4,008	(75)
Other pupil services	34,056	34,056	1,475	(32,581)
	<u>583,149</u>	<u>596,085</u>	<u>549,050</u>	<u>(47,035)</u>
Total pupil services				
Instructional staff				
Improvement of instruction	215,965	284,959	309,383	24,424
Library	317,194	220,111	194,757	(25,354)
Direction of instruction	32,445	66,188	82,685	16,497
Other instructional services	25,151	12,746	2,627	(10,119)
	<u>590,755</u>	<u>584,004</u>	<u>589,452</u>	<u>5,448</u>
Total instructional staff				
General administration				
Board of Education	75,600	103,600	106,603	3,003
Executive administration	226,761	226,761	218,521	(8,240)
Fiscal services	337,416	337,416	304,353	(33,063)
	<u>639,777</u>	<u>667,777</u>	<u>629,477</u>	<u>(38,300)</u>
Total general administration				
School administration				
Elementary and Secondary Administration	1,275,384	1,155,017	1,127,973	(27,044)
	<u>1,806,039</u>	<u>1,849,570</u>	<u>1,895,185</u>	<u>45,615</u>
Operation and maintenance				
Security services	30,000	30,000	30,464	464
	<u>709,103</u>	<u>734,791</u>	<u>775,922</u>	<u>41,131</u>
Pupil transportation				
Information services	236,795	236,795	225,646	(11,149)
	<u>30,215</u>	<u>34,833</u>	<u>42,339</u>	<u>7,506</u>
Other services				
Payments to other schools	407,750	163,270	170,637	7,367
	<u>6,308,967</u>	<u>6,052,142</u>	<u>6,036,145</u>	<u>(15,997)</u>
Total supporting services				
Community services				
Community services	<u>59,619</u>	<u>63,970</u>	<u>56,405</u>	<u>(7,565)</u>

BIG RAPIDS PUBLIC SCHOOLS

**General Fund
Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - (Concluded)**

For the Year Ended June 30, 2006

	Budget		Actual	Variance with Final Budget
	Original	Amended		
Expenditures (concluded)				
Debt service				
Principal	\$ 70,000	\$ 70,000	\$ 95,861	\$ 25,861
Interest	44,005	64,000	101,472	37,472
Total debt service	114,005	134,000	197,333	63,333
Capital outlay	100,000	60,000	60,037	37
Total expenditures	16,477,381	16,397,591	16,690,166	292,575
Revenue over (under) expenditures	(66,150)	(365,293)	(566,808)	(201,515)
Other financing sources (uses)				
Transfers out	(316,983)	(316,983)	(307,995)	8,988
Proceeds from installment purchase agreement	-	140,000	140,446	446
Total other financing sources (uses)	(316,983)	(176,983)	(167,549)	9,434
Net changes in fund balance	(383,133)	(542,276)	(734,357)	(192,081)
Fund balance, beginning of year, as restated	1,579,219	1,579,219	1,579,219	-
Fund balance, end of year	\$ 1,196,086	\$ 1,036,943	\$ 844,862	\$ (192,081)

BIG RAPIDS PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2006

	<u>Special Revenue</u>	
	<u>Athletics</u>	<u>Food Service</u>
Assets		
Cash and cash equivalents	\$ 36,979	\$ 121,699
Accounts receivable	1,191	1,827
Due from other governmental units	-	5,999
Inventory	-	10,689
	<u> </u>	<u> </u>
Total assets	<u>\$ 38,170</u>	<u>\$ 140,214</u>
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 1,952	\$ -
Accrued expenditures	605	1,063
Due to other governmental units	-	525
Deferred revenue	-	684
	<u> </u>	<u> </u>
Total liabilities	<u>2,557</u>	<u>2,272</u>
Fund balances:		
Reserved for inventory	-	10,005
Unreserved, undesignated	35,613	127,937
	<u> </u>	<u> </u>
Total fund balances	<u>35,613</u>	<u>137,942</u>
Total liabilities and fund balance	<u>\$ 38,170</u>	<u>\$ 140,214</u>

Debt Service Funds			
2000			
Energy	1995	Durant	
Debt	Debt	Debt	Total
\$ -	\$ -	\$ -	\$ 158,678
-	-	-	3,018
-	-	101,430	107,429
-	-	-	10,689
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,430</u>	<u>\$ 279,814</u>
\$ -	\$ -	\$ -	\$ 1,952
-	-	-	1,668
-	-	-	525
-	-	101,430	102,114
<u>-</u>	<u>-</u>	<u>101,430</u>	<u>106,259</u>
-	-	-	10,005
-	-	-	163,550
<u>-</u>	<u>-</u>	<u>-</u>	<u>173,555</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,430</u>	<u>\$ 279,814</u>

BIG RAPIDS PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	<u>Special Revenue</u>	
	<u>Athletics</u>	<u>Food Service</u>
Revenue		
Local sources	\$ 68,844	\$ 468,830
State sources	-	46,593
Federal sources	-	575,554
Total revenue	<u>68,844</u>	<u>1,090,977</u>
Expenditures		
Current:		
Athletic activities	307,963	-
Food service	-	1,116,563
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	<u>307,963</u>	<u>1,116,563</u>
Revenue over (under) expenditures	<u>(239,119)</u>	<u>(25,586)</u>
Other financing sources		
Transfers in	247,000	-
Transfers out	-	-
Total other financing sources	<u>247,000</u>	<u>-</u>
Net changes in fund balances	7,881	(25,586)
Fund balances, beginning of year	<u>27,732</u>	<u>163,528</u>
Fund balances, end of year	<u><u>\$ 35,613</u></u>	<u><u>\$ 137,942</u></u>

Debt Service Funds			
2000			
Energy	1995	Durant	
Debt	Debt	Debt	Total
\$ -	\$ 283	\$ -	\$ 537,957
-	-	10,576	57,169
-	-	-	575,554
-	283	10,576	1,170,680
-	-	-	307,963
-	-	-	1,116,563
55,000	-	7,290	62,290
5,995	20	3,286	9,301
60,995	20	10,576	1,496,117
(60,995)	263	-	(325,437)
60,995	-	-	307,995
-	(11,920)	-	(11,920)
60,995	(11,920)	-	296,075
-	(11,657)	-	(29,362)
-	11,657	-	202,917
\$ -	\$ -	\$ -	\$ 173,555

BIG RAPIDS PUBLIC SCHOOLS

Athletics Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Budget		Actual	Variance with Final Budget
	Original	Amended		
Revenues				
Local sources:				
Gate receipts	\$ 57,500	\$ 54,500	\$ 68,844	\$ 14,344
Expenditures				
Supporting services	313,488	312,700	307,963	(4,737)
Revenue under expenditures	(255,988)	(258,200)	(239,119)	19,081
Other financing sources				
Transfers in	255,988	255,988	247,000	(8,988)
Net changes in fund balance	-	(2,212)	7,881	10,093
Fund balance, beginning of year	27,732	27,732	27,732	-
Fund balance, end of year	\$ 27,732	\$ 25,520	\$ 35,613	\$ 10,093

BIG RAPIDS PUBLIC SCHOOLS

Food Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenue				
Local sources:				
Food sales	\$ 435,000	\$ 435,000	\$ 420,419	\$ (14,581)
Interest	4,000	4,000	17,793	13,793
Other	40,000	40,000	30,618	(9,382)
Total local sources	479,000	479,000	468,830	(10,170)
State sources:				
State aid	9,200	9,200	46,593	37,393
Federal sources:				
Federal aid received through the State	455,000	495,000	513,790	18,790
USDA Donated Commodities	30,000	30,000	61,764	31,764
Total federal sources	485,000	525,000	575,554	50,554
Total revenue	973,200	1,013,200	1,090,977	77,777
Expenditures				
Supporting services	1,004,500	1,053,200	1,116,563	63,363
Net changes in fund balance	(31,300)	(40,000)	(25,586)	14,414
Fund balance, beginning of year	163,528	163,528	163,528	-
Fund balance, end of year	\$ 132,228	\$ 123,528	\$ 137,942	\$ 14,414

BIG RAPIDS PUBLIC SCHOOLS

Combining Statement of Assets and Liabilities Agency Funds

June 30, 2006

	<u>Student Activities</u>	<u>Section 125 Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 153,615</u>	<u>\$ 6,908</u>	<u>\$ 160,523</u>
Liabilities			
Due to student groups	\$ 153,615	\$ -	\$ 153,615
Withholdings payable	<u>-</u>	<u>6,908</u>	<u>6,908</u>
Total liabilities	<u>\$ 153,615</u>	<u>\$ 6,908</u>	<u>\$ 160,523</u>



BIG RAPIDS, MICHIGAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

**BIG RAPIDS PUBLIC SCHOOLS
SINGLE AUDIT REPORT**

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

October 19, 2006

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools, Big Rapids, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Big Rapids Public Schools, basic financial statements and have issued our report thereon dated October 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Rapids Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Rapids Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

-1-



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 19, 2006

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

Compliance

We have audited the compliance of Big Rapids Public Schools, Big Rapids, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Big Rapids Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Big Rapids Public Schools' management. Our responsibility is to express an opinion on Big Rapids Public Schools compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Rapids Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Big Rapids Public Schools' compliance with those requirements.

In our opinion Big Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Big Rapids Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Big Rapids Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated October 19, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Big Rapids Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

BIG RAPIDS PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2005	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2006
						(Memo Only) Prior Year(s)	Year Ended June 30, 2006	
U.S. Department of Agriculture								
Direct program:								
Entitlement Commodities	10.550	2004-2005	\$ 51,434	\$ (8,806)	\$ 3,674	\$ 38,551	\$ 12,480	\$ -
Entitlement Commodities	10.550	2005-2006	53,658	-	48,970	-	48,286	(684)
Bonus Commodities	10.550	2005-2006	998	-	998	-	998	-
			106,090	(8,806)	53,642	38,551	61,764	(684)
Passed-through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch - breakfast	10.553	051970	11,072	-	11,072	-	11,072	-
National School Lunch - breakfast	10.553	061970	69,110	-	69,110	-	69,110	-
			80,182	-	80,182	-	80,182	-
National S/L Section 4 All Lunches	10.555	051950	10,853	-	10,853	-	10,853	-
National S/L Section 4 All Lunches	10.555	061950	59,026	-	59,026	-	59,026	-
National S/L Section 11 Free & Reduced	10.555	051960	57,330	-	57,330	-	57,330	-
National S/L Section 11 Free & Reduced	10.555	061960	300,242	-	300,242	-	300,242	-
National S/L snacks	10.555	051980	988	-	988	-	988	-
National S/L snacks	10.555	051980	5,169	-	5,169	-	5,169	-
			433,608	-	433,608	-	433,608	-
Total U.S. Department of Agriculture			619,880	(8,806)	567,432	38,551	575,554	(684)
U.S. Department of Education								
Passed-through Michigan Department of Education:								
Title 1, Part A	84.010	041530-0405	84,095	1,800	1,800	84,095	-	-
Title 1, Part A	84.010	051530-0405	461,392	110,616	110,616	461,392	-	-
Title 1, Part A	84.010	051530-0506	39,989	-	39,989	-	39,989	-
Title 1, Part A	84.010	061530-0506	506,663	-	461,663	-	461,663	-
			1,092,139	112,416	614,068	545,487	501,652	-
Handicapped Preschool & School Program	84.027	060440 SPSR	4,130	-	1,750	-	1,750	-
Drug Free Schools & Communities	84.186	042860-0405	10,788	2,709	2,709	8,079	-	-
Drug Free Schools & Communities	84.186	052860-0506	9,361	-	9,361	-	9,361	-
Drug Free Schools & Communities	84.186	062860-0506	26,892	-	14,308	-	20,626	6,318
			47,041	2,709	26,378	8,079	29,987	6,318
Title V	84.298	060250-0506	7,746	-	7,746	-	7,746	-
Technology Literacy Challenge Grant	84.318	054290-0405	12,346	12,346	12,346	12,346	-	-
Technology Literacy Challenge Grant	84.318	064290-0506	9,178	-	9,178	-	9,178	-
			21,524	12,346	21,524	12,346	9,178	-
Improving Teacher Quality	84.367	050520-0405	153,321	52,130	52,130	153,321	-	-
Improving Teacher Quality	84.367	060520-0506	154,184	-	154,184	-	154,184	-
			307,505	52,130	206,314	153,321	154,184	-
Passed-through Mecosta/Osceola ISD:								
IDEA	84.027		1,991	1,991	1,991	1,991	1,991	1,991
IDEA	84.027		15,000	15,000	15,000	15,000	15,000	15,000
			16,991	16,991	16,991	16,991	16,991	16,991
Total U.S. Department of Education			1,497,076	196,592	894,771	736,224	721,488	23,309

continued...

BIG RAPIDS PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2005	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2006
						(Memo Only)	Year Ended	
						Prior Year(s)	June 30, 2006	
U.S. Department of Interior								
Passed-through Nawaygo County:								
National Forest	11.000		\$ 4,770	\$ -	\$ 4,770	\$ -	\$ 4,770	\$ -
Passed-through Mecosta County:								
National Forest	11.000		201	-	201	-	201	-
Total U.S. Department of Interior			4,971	-	4,971	-	4,971	-
U.S. Department of Health and Human Services								
Passed-through Mecosta/Osceola ISD:								
Medicaid Outreach	93.778		13,945	8,338	17,441	23,995	13,945	4,842
TOTAL			\$ 2,135,872	\$ 196,124	\$ 1,484,615	\$ 798,770	\$ 1,315,958	\$ 27,467

BIG RAPIDS PUBLIC SCHOOLS

SINGLE AUDIT REPORT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – RECEIPTS AND REVENUE

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule of Expenditures of Federal Awards has been arranged to provide information on both actual cash received and the resultant revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

NOTE 2 – GRANT EXPENDITURES

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grants Section Auditors Report (7120) reconcile with this schedule.

Expenditures are reported on the Schedule of Expenditures of Federal Awards for all active awards. Accordingly, the Schedule presents expenditures for the current year grant which remains active beyond the end of the fiscal year because of the accounts receivable, deferred revenue, or accounts payable items.

BIG RAPIDS PUBLIC SCHOOLS, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified on basic financial statements

Internal controls over financial reporting:

Material weakness(es) identified?

_____ yes x no

Reportable condition(s) identified not considered to be material weaknesses?

_____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes x no

Reportable condition(s) identified not considered to be material weaknesses?

_____ yes x none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

_____ yes x no

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 x yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

BIG RAPIDS PUBLIC SCHOOLS, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2005-1

The District did not allocate at least 1% of Title I funding to parental involvement since the District's allocation of Title I funds was more than \$500,000. Through discussions with the Michigan Department of Education it was determined that the parental involvement requirement was not applicable for the District. The amount reported on the Schedule of Expenditures of Federal Awards for Title I expenditures included funding for Big Jackson Public School, for which the District acts as a fiscal agent. These funds should not have been included in determining the parental involvement requirement. Without the Big Jackson Public School allocation, the District did not exceed the \$500,000 threshold, and therefore the parental involvement requirement was not applicable.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

October 19, 2006

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

In planning and performing our audit of the financial statements of Big Rapids Public Schools for the year ended June 30, 2006 we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of opportunities for strengthening internal controls. This letter does not affect our report dated October 19, 2006 on the financial statements of Big Rapids Public Schools.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with various personnel, and we will be pleased to discuss it in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations. Our comments are summarized as follows:

INDEPENDENT REVIEW OF JOURNAL ENTRIES

During our audit, we noted that manual journal entries are not routinely reviewed by an independent administrator. We recommend that the District enhance its internal control by requiring the Controller or other administrator to review and initial each of these transactions in the future.

CAPITAL ASSETS RECORDS

The District last underwent a complete inventory valuation of its capital assets in 2001. Since that time, the District has estimated its annual provision for depreciation by rolling forward the results of the 2001 capital asset inventory and making adjustments for additions and disposals. This method does not take into account adjustments by individual asset. When we requested that management review its capital asset rollforward schedules, this highlighted the need for a \$804,560 restatement of beginning accumulated depreciation. We recommend that the District enhance its capital asset records by obtaining or preparing a detailed inventory of all assets, and updating it annually.

BUDGET TO ACTUAL REPORTS

The District had expenditures in excess of final budgeted amounts in several functions for the year ended June 30, 2006. To promote adherence to Board-adopted budgeted amounts, we recommend that the District compile and review budget to actual comparisons more frequently during the year, and adopt budget amendments as necessary.

STUDENT ACTIVITY ACCOUNTS

The District has implemented a procedure that requires student activity account reimbursement requests to have a formal purchase order prepared on purchases over \$500. We noted several purchases, that exceeded \$500, where no purchase order was completed prior to purchase. In order to assure proper use of student activity funds, we recommend that purchase orders, where applicable, need to be signed by the advisor and the Assistant Superintendent prior to purchase.

We would like to thank the staff of the business office for their assistance and cooperation during the audit. We look forward to working with you on future engagements.

This information is intended solely for the use of the Board of Education and management of Big Rapids Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive style with a large, stylized 'L' and 'J'.